

RESOLUTION FOR CORRECTIVE ACTION PLAN TO CORRECT INTERNAL CONTROL
WEAKNESSES FOR FINANCIAL REPORTING AND BUDGET VIOATION
FOR FY 2022-2023

WHEREAS, the Town Council has received a presentation of the Financial Statements and Independent Audit for the Fiscal Year Ended June 30, 2023, from independent auditors, FORVIS, LLP; and,

WHEREAS, the Independent Auditors, FORVIS, LLP, has provided a favorable opinion for the Town's Annual Comprehensive Financial Statements; and,

WHEREAS the Independent Auditors identified a material weakness in internal controls for financial reporting and identified a budget violation where an over expenditure was identified in FY 2022-2023; and,

WHEREAS this material weakness caused an inaccurate reconciliation of certain asset and liability accounts which required material adjusting journal entries during the audit process to correct these improperly reported balances; and,

WHEREAS it is important that financial reporting be accurate and complete to disclose the financial condition of the Town and for management decision making; and,

WHEREAS 20 NCAC 03 .0508 requires the governing body to develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" (Response) signed by a majority of the members of the governing body; and submit such Response to the Secretary of the Local Government Commission within 60 days after the presentation.

NOW THEREFORE, BE IT RESOVLED by the Town Council of the Town of Carrboro, North Carolina that:

1. The Finance Director position has been backfilled and Finance Department is fully staffed.
2. New role of Comptroller has been established to strategically govern and lead the accounting process, including approving all journal entries input by Staff Accountant and Accounting Technician.
3. The Deputy Finance Director and Finance Director will lead internal reporting metrics including:
 - a. Monthly Balance Sheet account reconciliation.
 - b. Monthly variance reporting on Actual vs. Budget and Reforecast vs. Budget
 - c. Continually monitor unassigned fund balance goal of 22.5-35.0%.
 - d. Simplify fund reporting process by aggregating smaller funds into grouped reporting as pursuant to North Caolina Law.
 - e. Review all balance sheet accounts, across funds.
 - f. Review and assess system processes for capital assets, accounts receivable and accounts payable.

- g. Develop, with finance staff, procedures for reconciliations of all balance sheet accounts across funds to ensure that trial balances do not contain errors.
 - h. Recommend necessary training for accounting staff.
- 4. The above tasks in Item #3 above are to be completed no later than May 31, 2024.
- 5. Over-expenditures that occurred in the shared transportation fund were the result of the failure to properly budget for and anticipate the annual true-up described in the joint agreement with the Town of Chapel Hill. The multi-year agreement is contracted in the final month of the fiscal year to cover the next fiscal year. The budget in Fiscal Year 2022-2023 carried over the standard monthly payment and was not updated to reflect terms of the new contract, executed 6/24/2023. Although the 2022-2023 FY budget did account for potential unknown increased operating costs compared to the prior fiscal year, it was not enough to cover the operating cost increase outlined in the new contract. Therefore, a one-time true-up of \$123,568.20 was accrued as an accounts payable on 6/30/2023, resulting in a budget expenditure overage and budget violation identified in October, 2023. Additionally, the Transportation Fund has minimal annual activity other than this obligation from the Town and was not able to initiate a staff-level reclass of dollars to cover the unforeseen expense, thus requiring a Council approved Budget Amendment. The Finance Department has instituted various budgetary review processes and is now fully staffed to prevent future occurrences, described in item (3) above.
- 6. The Finance Director shall report to the Town Council on the outcomes of the above by September 19, 2024.
- 7. A copy of this resolution shall be provided to the Town's Finance Director within five days of adoption.
- 8. A copy of this resolution and signed Council letter with majority approval shall be provided to the Secretary of the Local Government Commission upon adoption.

This the 5th day of March, 2024.